

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4522-01
BILL NO.: SB 1023
SUBJECT: Economic Development Department; Revenue Department; Taxation and Revenue - General.
TYPE: Original
DATE: March 6, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$57,758) to (\$11,057,758)	(\$60,911) to (\$11,060,911)	(\$62,487) to (\$11,062,487)
Total Estimated Net Effect on <u>All</u> State Funds	(\$57,758) to (\$11,057,758)	(\$60,911) to (\$11,060,911)	(\$62,487) to (\$11,062,487)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

In response to an identical proposal from this year, officials from the **Department of Economic Development (DED)** stated this increases the Capital Tax Credit program by \$11 million. It redefines the "Principal Owner" definition to one or more persons who own an aggregate of 20% or more of the business. By making this change, more businesses would be eligible which may allow for an increase in use of the program. The DED assumed an unknown positive impact should be realized from the additional \$11 million in capital tax credits authorized.

The DED assumed the \$11 million additional tax credits will be issued each year and that there will be additional businesses eligible to receive the credits. The DED assumed the need for one additional Economic Development Incentive Specialist II (at \$36,468 annually) to process additional tax credit applications. Necessary expense and equipment for this additional FTE are also needed.

Officials from the **Department of Revenue** state this proposal would increase the tax credits for qualified investments in small businesses from \$19 million to \$30 million. The total amount of tax credits available for investments in Missouri small businesses shall not exceed \$24 million, and at least \$4 million shall be used exclusively for investments in Missouri small businesses in distressed communities.

The Department anticipates an increase in the number tax credits. However, the increase is unknown. The Division of Taxation, Personal Tax Bureau, will need one temporary tax season employee (a cost of \$6,067) for every 130,000 credits filed with this credit (key entry) and one Tax Processing Tech I for every 2,000 credits claimed (processing). The Personal Tax Bureau will also need one Tax Processing Tech I for every 30,000 additional errors generated. The Division of Taxation, Business Tax Bureau, will need one Tax Processing Tech I for every 3,680 credits received.

The **Office of Administration, Budget and Planning** state the proposed legislation would not fiscally impact their agency, but would have an impact on total state revenues.

Oversight assumes the Department of Revenue could request additional FTE to process the additional credits if the need arises, but for purposes of this fiscal note, the DOR is assumed to have no additional costs from this proposal.

This proposal would result in a decrease in Total State Revenues.

L.R. NO. 4522-01
 BILL NO. SB 1023
 PAGE 3 OF 4
 March 6, 2000

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		

GENERAL REVENUE FUND

<u>Loss - General Revenue Fund</u>	\$0 to	\$0 to	\$0 to
Increase in tax credits for small businesses	(\$11,000,000)	(\$11,000,000)	(\$11,000,000)

Costs - Department of Economic Development (DED)

Personal Service	(\$31,137)	(\$38,314)	(\$39,272)
Fringe Benefits	(\$9,575)	(\$11,782)	(\$12,076)
Expense and Equipment	<u>(\$17,046)</u>	<u>(\$10,815)</u>	<u>(\$11,139)</u>
Total <u>Costs</u> - DED	(\$57,758)	(\$60,911)	(\$62,487)

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$57,758) to	(\$60,911) to	(\$62,487) to
	<u>(\$11,057,758)</u>	<u>(\$11,060,911)</u>	<u>(\$11,062,487)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		

\$0	\$0	\$0
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FISCAL IMPACT - Small Business

Small businesses would be expected to be directly impacted as a result of this proposal.

DESCRIPTION

This proposal limits the total amount of tax credits available for qualified investments in Missouri small business. The aggregate amount of all tax credits issued will not exceed thirty million dollars. The amount of the credits available for qualified investments in Missouri small business will not exceed twenty-four million dollars with at least four million dollars authorized exclusively for investment in Missouri small business in distressed communities. Aggregate investments eligible for tax credits in any one Missouri small business will be no more than one million dollars and no less than five thousand dollars.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

RAS:LR:OD:005 (9-94)

L.R. NO. 4522-01
BILL NO. SB 1023
PAGE 4 OF 4
March 6, 2000

SOURCES OF INFORMATION

Department of Revenue
Department of Economic Development
Office of Administration
Budget and Planning

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
March 6, 2000